Approved For Release 2006/07/26 : CIA-RDP86B00269R000900100001-0

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4 OCT 1966

MEMORANDUM FOR: Executive Director-Comptroller

SUBJECT : Report on Agency Procurement Management

1. Forwarded herewith is the report prepared by the consultant [redacted] 25X1 It provides a highly perceptive and useful view of the Agency's procurement activities and makes a number of very cogent recommendations for the improvement of our activities in this field. 25X1

2. Many of the recommendations are stated in terms of general principle. They do not detail specific steps to be taken, how those steps should be phased, nor the adjustments required of the components affected. We feel that there is advantage in this, in that considerable latitude is available for accommodation to unique problems that might arise in the course of implementation. Specific details of implementation were not feasible in a report such as this; nor were they contemplated. In reviewing the report we have found it useful to keep its findings and recommendations separated. We believe that even if the recommendations are not accepted the findings still indicate clearly the need for strong corrective action.

3. The report treats procurement in its broadest sense, including purchasing, management of stock inventories, logistics support, R&D contracting and management, and related production. The report concludes that there is no central authority below the executive level over these activities, and recommends that a Special Assistant for Procurement, under the Deputy Director for Support, be appointed to function at the apex of the procurement pyramid, to serve as Agency policy and coordinating officer on all procurement matters. The actual management of the major procurement activities would be divided between two directorates: management of the normal supply and logistics procurement activities would be under the Office of Logistics in the Support Services; R&D procurement and related production (and the special procurement of OSA) would be under a new R&D Procurement Office in the Directorate of Science and Technology. To make these two separate operations fully effective, each would require the support of an automated management information system. The development of these management information systems--the consultants see them as sub-systems of one over-all system--is viewed as an integral factor in effective implementation of the recommendations. There are a number of other recommendations that are either part of the

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over-all organizational concept or that are intended to strengthen current procedures. These include the consolidation of all audit functions under the Audit Staff of the Office of the Inspector General and establishment of a formal revolving fund for financial management of the Agency's procurement pool.

4. We strongly commend the report for your favorable consideration and state our endorsement of the main thrust of its findings. In doing so, however, we wish to note certain factors that should be weighed in any decisions to accept and implement the recommendations. We have also proposed assignments of responsibility for implementation if the major recommendations are accepted. We have also suggested in paragraph 10.d., below, the employment of outside assistance in the implementation of some of the recommendations. Our comments on the major recommendations, as summarized in Chapter VI of the report, follow:

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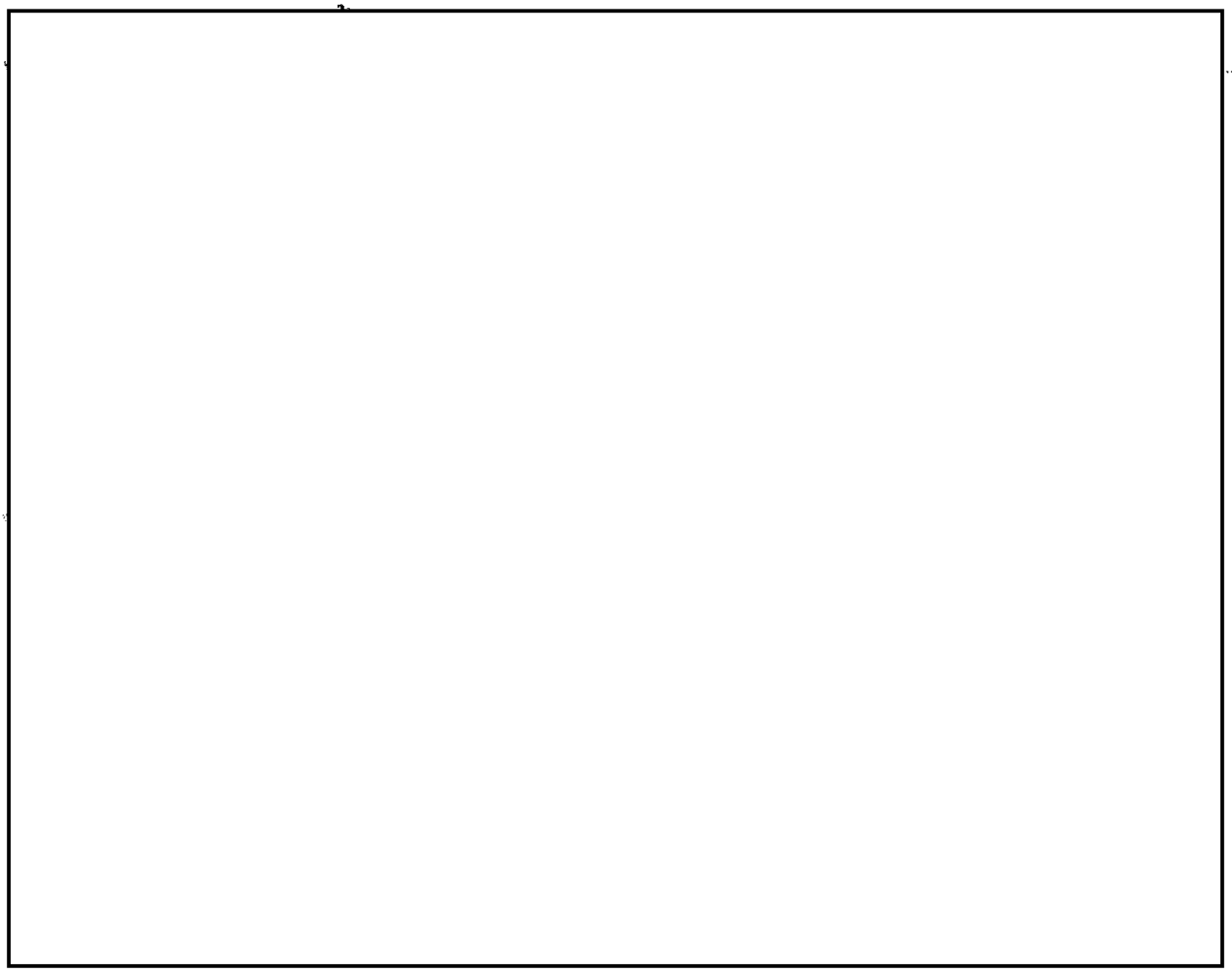

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Approved For Release 2006/07/26 : CIA-RDP86B00269R000900100001-0

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Their contribution to consideration of those problems has been constructive. Their broad basic conclusions about the Agency's organization for procurement, especially in the field of R&D, present a course of action for resolving a problem that will grow in importance as the Agency finds itself drawn more deeply into complex R&D programs.

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J. S. Earman
Inspector General

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